

**FAYETTE COUNTY**  
**West Union, Iowa**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2004

**FAYETTE COUNTY, IOWA**  
**West Union, Iowa**

**TABLE OF CONTENTS**

---

	<u>Page</u>
<b>OFFICIALS</b> .....	1
<b>INDEPENDENT AUDITORS' REPORT</b> .....	2-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	4-8
<b>BASIC FINANCIAL STATEMENTS</b>	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets .....	A..... 9
Statement of Activities.....	B..... 10
Governmental Fund Financial Statements:	
Balance Sheet.....	C..... 11-12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets .....	D..... 13
Statement of Revenues, Expenditures and Changes in Fund Balances .....	E..... 14-15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	F..... 16
Proprietary Fund Financial Statements:	
Statement of Net Assets .....	G..... 17
Statement of Revenue, Expenses, and Changes in Fund Net Assets .....	H..... 18
Statement of Cash Flows.....	I..... 19
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities– Agency Funds .....	J..... 20
Notes to Financial Statements .....	21-33
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds .....	34
Budget to GAAP Reconciliation .....	35
Notes to Required Supplementary Information – Budgetary Reporting .....	36

## **TABLE OF CONTENTS (Continued)**

---

<b>OTHER SUPPLEMENTARY INFORMATION:</b>	<u>Schedule</u>	<u>Page</u>
Non-major Special Revenue Funds:		
Combining Balance Sheet .....	1 .....	37-38
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	2 .....	39-40
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities .....	3 .....	41-42
Combining Schedule of Changes in Fiduciary Assets and Liabilities .....	4 .....	43-44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds .....	5 .....	45
Schedule of Expenditures of Federal Awards.....	6 .....	46
 <b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING .....</b>		 47-48
 <b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE .....</b>		 49-50
 <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....</b>		 51-55

**FAYETTE COUNTY**  
**West Union, Iowa**

**OFFICIALS**

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
John Bunn .....	January 2007 .....	Board of Supervisors
Mike Kennedy .....	January 2007 .....	Board of Supervisors
Richard Jensen .....	January 2005 .....	Board of Supervisors
Larry Popenhagen.....	January 2005 .....	Auditor
Kyle Jacobsen.....	January 2007 .....	Treasurer
Karen Ford.....	January 2007 .....	Recorder
Marty Fisher .....	January 2005 .....	Sheriff
W. Wayne Saur .....	January 2007 .....	Attorney
Joe Flores.....	Appointed.....	Assessor

## **Independent Auditors' Report**

---

To the Officials of Fayette County  
West Union, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fayette County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette County at June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 10, 2005 on our consideration of Fayette County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

## **Independent Auditors' Report (Continued)**

---

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 8 and 34-36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Fayette County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

February 10, 2005

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Management of Fayette County provides this Management's Discussion and Analysis of Fayette County's annual financial statements. This narrative overview and analysis of the financial activities of Fayette County is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- County governmental funds revenue increased 3% or approximately \$337,815 from 2003 to 2004. Property taxes increased approximately \$386,459 and intergovernmental decreased approximately \$222,839.
- County program expenses were 15% or approximately \$2,066,545 less in 2004 than in 2003. Capital projects expense decreased approximately \$1,990,255.
- The county's net assets increased 3%; approximately \$715,131 at June 30, 2004.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 - 10, Exhibits A and B) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on pages 11-12, Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as an agent or custodian for the benefit of those outside of the government (Agency Funds).

### **Reporting the County as a Whole**

#### ***The Statement of Net Assets and the Statement of Activities***

One of the most important questions asked about the County's finances is, "is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social

services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

### ***Fund Financial Statements***

The fund financial statements begin on pages 11-12 Exhibit C and provide detailed information about the most significant funds—not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

Most of the County’s basic services are accounted for in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found beginning on page 21.

### ***Supplemental Information***

The supplemental information begins on page 37 (Schedule 1) and provides detailed information about the non-major governmental funds and the individual agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of the various Federal awards received by the County.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The County’s combined net assets were changed slightly increasing from \$23,864,062 to \$24,061,427. The analysis below focuses on net assets and changes in net assets of government activities.

### **Net Assets of Governmental Activities**

	(Expressed in Thousands)	
	2004	2003
Current and Other Assets	\$9,272	\$8,199
Capital Assets	23,808	23,922
Total Assets	33,080	32,121
Long-Term Debt Outstanding	2,664	2,900
Other Liabilities	6,354	5,357
Total Liabilities	9,018	8,257
Net Assets:		
Invested in Capital Assets, Net of debt	21,143	21,022
Restricted	1,695	2,110
Unrestricted	1,224	732
Total Net Assets	\$24,062	\$23,864



Net assets of the County's governmental activities increased by approximately 3%, (from \$23.3 Million) the largest portion of the County's net assets is the Invested in Capital Assets (infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

#### **Changes in Net Assets of Governmental Activities**

	Year Ended June 30,	
	2004	2003
Program Revenues:		
Charges for service and sales	\$1,177	\$ 897
Operating grants and contributions	4,181	4,515
Capital grants and contributions	858	621
Property taxes	4,952	4,502
Unrestricted investments earnings	31	66
Other general revenues	2,168	1,563
Total revenues	13,367	12,164
Program Expenses:		
Public safety and legal services	2,418	2,108
Physical health and social services	492	491
Mental health	2,004	1,746
County environment and education	1,229	1,371
Roads and transportation	5,261	3,631
Government services to residents	443	416
Administration or general government	1,203	1,309
Non-program	6	43
Interest on long-term debt	113	122
Total expenses	13,169	11,237
Increase in net assets	198	927
Net assets – beginning of year	23,864	22,937
Net assets – end of year	\$24,061	\$ 23,864

The County's revenue increased 10% (\$1,202,329). The total cost of programs and services increased 12%, \$1,414,439 with no new programs added this year. The modest growth in revenue allowed the County to cover this year's costs and slightly increase the County's net assets.

#### ***Governmental Activities***

Fayette County experienced a substantial 10% increase in property taxes levied in 2004. The increase was \$450,198. Decreases in state revenue for FYE 2003 for Chapter 405A.4 funding and property credit replacements left projected balances lower than anticipated. Also revenue in FYE 2003 was reestimated to be \$120,000 less for prisoner room and board due to a later start up on the new jail. This also reduced the balances. These reductions in revenue coupled with increased expenses FYE 2004 for the new law enforcement center, new computer hardware, and substantial insurance increases led to the property tax increase in the general and general supplemental funds.

Revenue increased 10% in FYE 2004 due to the property tax increase and an increase in prisoner room and board.

The cost of programs and services increased 12% due to additional expenses at the law enforcement center, increased rates and services for mental health, and an increase in road construction projects.

### **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the county completed the year, its governmental funds reported a combined fund balance of \$2.7 million, which is \$173,330 above last year's total of \$2.5 million. This increase in combined fund balance was a result of an attempt to maintain or increase balances in order to be at a higher percentage of total budgeted expenditures.

The combined ending fund balance of the General and General Supplemental funds increased by \$70,368 from 2003 to 2004. This increase in balance was due to the property tax increase and was intended to raise the balance to a more manageable level.

The 128% increase of balance in the Mental Health funds was as a result of an attempt to increase the balance above the 14% ratio to expenditures at the end of FYE 2003. Increased revenue from the state helped to raise the balance.

The Rural Services fund balance was reduced to \$100,720 (72%) due to unanticipated elimination of Chapter 405A.4 funding and reduced local option tax revenue.

The Secondary Road fund ended the 2004 year with a balance of \$382,231 higher than anticipated due to uncompleted bridge projects carried over to 2005.

### **BUDGETARY HIGHLIGHTS**

The budget was amended on August 11<sup>th</sup>. The amendment reflected a decrease of \$68,214 in general fund and \$101,944 in rural services fund from elimination of 405A.4 state funding. There was an increase in intergovernmental revenue of \$179,503 of federal grant funds for the bike trail and \$7,975 for industrial machinery replacement.

Expenditure increase for government services were: \$27,000 for conservation litigation, \$10,000 for HIPPA compliance, and \$3,589 for insurance. Expenditures were also increased \$60,500 in County Environment and Education for the bike trail.

The budget was also amended on March 15, 2004 with an increase of revenue of \$494,343 and an increase of expenditures of \$344,673. The major increases in revenue were \$343,807 for mental health support and \$85,350 for the Sheriff's office. There were decreases for local option tax revenue and interest income.

\$228,511 of budgeted expenditures were moved from the Administration Service Area to the Mental Health, MR & DD Service Area for case management and mental health administration. Expenditures were also increased for a garage and maintenance at the law enforcement center and for secondary road projects.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2004, the County had \$39.432 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$1.352 million or 4% over last year.

#### **Capital Assets at Year End of Governmental Activities**

(Expressed in Thousands)

	2004	2003
Land	\$1,123	\$1,123
Buildings	4,573	4,573
Equipment	8,030	7,836
Infrastructure	25,706	24,548
Total	\$39,432	\$38,080

This year's major additions include (expressed in thousands)

Law Enforcement Vehicles	\$18
Secondary Road Equipment	207
Infrastructure	1,158
	<u>\$1,383</u>

The County had depreciation expense of \$1,511,473 for the year ended June 30, 2004 and total accumulated depreciation as of June 30, 2004 of \$15,626,524.

The County's fiscal year 2004 capital expenditures totaled \$531,894 principally for the continued upgrading of secondary roads and bridges and various conservation projects. The County has no plans to issue additional debt to finance these projects.

### **Debt Administration**

At year end, the County had \$2,984,055 in bonds compared to \$3,175,332 in bonds and other debt last year as shown below.

### **Outstanding Debt at Year-End of Governmental Activities**

	(Expressed in Thousands)	
	2004	2003
General Obligation Notes	\$2,665	\$2,900
Compensated Absences	319	275
	<u>\$2,984</u>	<u>\$3,175</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this 39 million limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County begins the 2005 fiscal year with a balance of 16.5% when compared to expected expenditures. This low balance along with low interest income, reduced state aid, and low local option tax revenue have led to an 8% property tax increase, despite only modest increases in projected expenditures. There are expenditure increases of 25% for the liability property insurance package, \$25,000 for short term loan interest, and increased MH, MR and DD funding.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 114 N. Vine St., West Union, IA.

**FAYETTE COUNTY**  
**West Union, Iowa**

**STATEMENT OF NET ASSETS**  
June 30, 2004

	Governmental Activities
<b>ASSETS</b>	
Cash & Pooled Investments	\$2,986,764
Receivables	
Property Tax	
Delinquent	13,304
Succeeding Year	5,120,246
Interest & Penalty On Property Tax	359
Accounts	58,461
Accrued Interest	2,423
Due From Other Governments	421,515
Inventories	669,526
Capital Assets (Net of Accumulated Depreciation)	23,807,642
<b>TOTAL ASSETS</b>	<b>33,080,240</b>
<b>LIABILITIES</b>	
Accounts Payable	630,323
Accrued Interest Payable	8,767
Salaries & Benefits Payable	154,081
Due To Other Governments	121,341
Deferred Revenue	
Succeeding Year Property Tax	5,120,246
Long Term Liabilities	
Portion Due Or Payable Within One Year	
General Obligation Notes	245,000
Compensated Absences	319,055
Portion Due or Payable After One Year	
General Obligation Notes	2,420,000
<b>TOTAL LIABILITIES</b>	<b>9,018,813</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	21,142,642
Restricted For:	
Mental Health Purposes	1,182,345
Secondary Roads Purposes	254,873
Other Purposes	258,348
Unrestricted	1,223,219
<b>TOTAL NET ASSETS</b>	<b>\$24,061,427</b>

See Notes To Financial Statements

**FAYETTE COUNTY**  
**West Union, Iowa**

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2004

<b>FUNCTIONS/PROGRAMS:</b>	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest	
<b>GOVERNMENTAL ACTIVITIES:</b>					
Public Safety & Legal Services	\$2,417,588	\$520,949	\$219,637	\$ 0	\$(1,677,002)
Physical Health & Social Services	491,537	6,375	163,480	8,900	(312,782)
Mental Health	2,004,490	7,403	470,362	0	(1,526,725)
County Environment & Education	1,229,182	22,956	222,430	0	(983,796)
Roads & Transportation	5,261,215	24,346	2,881,163	849,443	(1,506,263)
Governmental Services to Residents	442,765	330,124	15,341	0	(97,300)
Administrative Services	1,203,119	9,457	209,406	0	(984,256)
Non-Program	5,881	256,354	0	0	250,473
Interest on Long-Term Debt	113,547	0	0	0	(113,547)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$13,169,324</b>	<b>\$1,177,964</b>	<b>\$4,181,819</b>	<b>\$858,343</b>	<b>(6,951,198)</b>
<b>TOTAL</b>					
<b>GENERAL REVENUES:</b>					
Property and Other County Tax Levied For:					
General Purposes					4,951,877
Penalties & Interest on Property Tax					62,653
State Tax Credits					352,525
Local Option Sales Tax					542,757
Unrestricted Investment Earnings					31,883
Miscellaneous					1,210,745
Loss on Disposal of Capital Assets					(3,877)
<b>TOTAL GENERAL REVENUES</b>					<b>7,148,563</b>
<b>CHANGE IN NET ASSETS</b>					<b>197,365</b>
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 14)</b>					<b>23,864,062</b>
<b>NET ASSETS END OF YEAR</b>					<b>\$24,061,427</b>

See Notes To Financial Statements

**FAYETTE COUNTY****West Union, Iowa****BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2004

		Special Revenue	
	General	Mental Health	Rural Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$951,516	\$495,038	\$20,896
Receivables			
Property Tax			
Delinquent	8,343	1,735	3,226
Succeeding Year	3,315,388	689,364	1,115,494
Interest and Penalty on Property Tax	359	0	0
Accounts	14,362	358	15,252
Accrued Interest	2,378	0	0
Due From Other Funds	10,381	0	0
Due From Other Governments	112,096	11,109	82,945
Inventories	0	0	0
<b>TOTAL ASSETS</b>	<b>\$4,414,823</b>	<b>\$1,197,604</b>	<b>\$1,237,813</b>

**LIABILITIES AND FUND BALANCES**

Liabilities			
Accounts Payable	\$103,226	\$129,721	\$7,447
Salaries and Benefits Payable	80,796	5,188	11,193
Due To Other Governments	2,883	118,458	0
Deferred Revenue			
Succeeding Year Property Tax	3,315,388	689,364	1,115,494
Other	22,914	1,589	2,959
<b>Total Liabilities</b>	<b>3,525,207</b>	<b>944,320</b>	<b>1,137,093</b>

Fund Balances			
Reserved For:			
Inventories	0	0	0
Unreserved, Reported In:			
General Fund	889,616	0	0
Special Revenue Funds	0	253,284	100,720
<b>Total Fund Balances</b>	<b>889,616</b>	<b>253,284</b>	<b>100,720</b>

<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$4,414,823</b>	<b>\$1,197,604</b>	<b>\$1,237,813</b>
--	--------------------	--------------------	--------------------

See Notes To Financial Statements

**Exhibit C**

<u>Special Revenue</u> Secondary Roads	Nonmajor Special Revenue	Total
\$663,456	\$160,303	\$2,291,209
0	0	13,304
0	0	5,120,246
0	0	359
11,630	422	42,024
0	45	2,423
0	0	10,381
215,365	0	421,515
669,526	0	669,526
<u>\$1,559,977</u>	<u>\$160,770</u>	<u>\$8,570,987</u>

\$158,952	\$3,142	\$402,488
56,904	0	154,081
0	0	121,341
0	0	5,120,246
0	0	27,462
<u>215,856</u>	<u>3,142</u>	<u>5,825,618</u>

669,526	0	669,526
0	0	889,616
674,595	157,628	1,186,227
<u>1,344,121</u>	<u>157,628</u>	<u>2,745,369</u>
<u>\$1,559,977</u>	<u>\$160,770</u>	<u>\$8,570,987</u>

**FAYETTE COUNTY  
West Union, Iowa**

**RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2004**

**Total governmental fund balances ( page 11-12)** \$2,745,369

*Amounts reported for governmental activities in the Statement of Net Assets  
are different because:*

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The costs of assets is \$39,434,166 and the accumulated depreciation is \$15,626,524. 23,807,642

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 27,462

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 473,776

Long-term liabilities, including bonds payable, compensated absences payable and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds. (2,992,822)

**Net assets of Governmental Activities ( page 9)** \$24,061,427

See notes to financial statements.



**FAYETTE COUNTY****West Union, Iowa**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004**

		Special Revenue	
	General	Mental Health	Rural Services
<b>REVENUES</b>			
Property & Other County Tax	\$3,168,950	\$716,737	\$1,607,998
Interest & Penalty on Property Tax	67,632	0	0
Intergovernmental	848,762	1,416,642	265,231
Licenses & Permits	6,863	0	2,700
Charges for Services	837,864	7,404	2,250
Use of Money & Property	31,970	0	0
Miscellaneous	158,488	0	4,300
Total Revenues	<u>5,120,529</u>	<u>2,140,783</u>	<u>1,882,479</u>
<b>EXPENDITURES</b>			
Operating			
Public Safety & Legal Services	2,275,545	0	0
Physical Health & Social Services	490,076	0	0
Mental Health	0	1,998,575	0
County Environment & Education	569,938	0	615,438
Roads & Transportation	0	0	285,524
Governmental Services to Residents	430,326	0	3,096
Administrative Services	788,397	0	0
Non-Program	5,881	0	0
Debt Service	349,305	0	0
Capital Projects	6,825	0	0
Total Expenditures	<u>4,916,293</u>	<u>1,998,575</u>	<u>904,058</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>204,236</u>	<u>142,208</u>	<u>978,421</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(133,868)	0	(1,231,356)
Total Other Financing Sources (Uses)	<u>(133,868)</u>	<u>0</u>	<u>(1,231,356)</u>
Net Change in Fund Balances	70,368	142,208	(252,935)
Fund Balances – Beginning of Year	819,248	111,076	353,655
Decrease in Reserve For Inventories	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances – End of Year	<u><u>\$889,616</u></u>	<u><u>\$253,284</u></u>	<u><u>\$100,720</u></u>

See Notes To Financial Statements

**Exhibit E**

<u>Special Revenue</u> Secondary Roads	Nonmajor Special Revenue	Total
\$ 0	\$ 0	\$5,493,685
0	0	67,632
2,881,164	30,212	5,442,011
1,315	0	10,878
1,334	35,940	884,792
4,045	380	36,395
139,728	15,618	318,134
3,027,586	82,150	12,253,527
<hr/>		
0	950	2,276,495
0	0	490,076
0	0	1,998,575
0	23,390	1,208,766
3,582,210	0	3,867,734
0	0	433,422
85,707	0	874,104
0	0	5,881
0	0	349,305
516,318	8,751	531,894
4,184,235	33,091	12,036,252
<hr/>		
(1,156,649)	49,059	217,275
<hr/>		
1,540	0	1,540
1,365,224	0	1,365,224
0	0	(1,365,224)
1,366,764	0	1,540
<hr/>		
210,115	49,059	218,815
1,179,491	108,569	2,572,039
(45,485)	0	(45,485)
<hr/>		
\$1,344,121	\$157,628	\$2,745,369
<hr/>		

**FAYETTE COUNTY  
West Union, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2004

**Net change in fund balances - Total governmental funds (pages 14-15- Exhibit E)** \$173,330

*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$553,430	
Capital assets contributed by the Iowa Department of Transportation	849,443	
Depreciation Expense	(1,511,473)	(108,600)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report, the proceeds from the sale as an increase in financial resources. (5,417)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property taxes	(4,030)	
Other	15,272	11,242

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid		235,000
--------	--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(43,723)	
Interest on long-term debt	758	(42,965)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the Internal Service Fund is reported with governmental funds. (65,225)

**Change in net assets of governmental funds (page 10 – Exhibit B)** \$197,365

See Notes to Financial Statements

**FAYETTE COUNTY  
West Union, Iowa****STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2004**

	Internal Service Employee Group Health
<hr/>	
<b>ASSETS</b>	
Cash & Cash Equivalents	\$685,174
Receivables	
Accounts	16,437
<b>TOTAL ASSETS</b>	<b>\$701,611</b>
<hr/>	
<b>LIABILITIES</b>	
Accounts Payable	\$227,835
<hr/>	
<b>NET ASSETS</b>	
Unrestricted	\$473,776
<hr/>	

See Notes To Financial Statements

**FAYETTE COUNTY**  
**West Union, Iowa**

STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
**PROPRIETARY FUND**  
Year Ended June 30, 2004

	Internal Service Employee Group Health
<hr/> <b>OPERATING REVENUES</b>	
Reimbursements From Operating Funds	\$764,613
Reimbursements From Employees	144,597
Insurance Reimbursements	209,339
Total Operating Revenues	<hr/> 1,118,549 <hr/>
 <b>OPERATING EXPENSES</b>	
Medical Claims	958,260
Insurance Premiums	139,203
Administrative Fees	85,003
Miscellaneous	1,308
Total Operating Expenses	<hr/> 1,183,774 <hr/>
 Net Loss	 (65,225)
 Net Assets Beginning of Year	 <hr/> 539,001 <hr/>
 Net Assets End of Year	 <hr/> \$473,776 <hr/>

See Notes To Financial Statements

**FAYETTE COUNTY**  
**West Union, Iowa**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2004

	Internal Service Employee Group Health
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received From Operating Fund Reimbursements	\$764,613
Cash Received From Employees & Others	354,601
Cash Payments To Suppliers For Services	(1,059,914)
Net Cash Provided by Operating Activities	<u>59,300</u>
Cash & Cash Equivalents at Beginning of Year	<u>625,874</u>
Cash & Cash Equivalents at End of Year	<u><u>\$685,174</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$(65,225)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Decrease In Accounts Receivable	665
Increase In Accounts Payable	<u>123,860</u>
Net Cash Provided by Operating Activities	<u><u>\$59,300</u></u>

See Notes To Financial Statements

**Exhibit J****FAYETTE COUNTY  
West Union, Iowa****STATEMENT OF FIDUCIARY ASSETS  
AGENCY FUNDS  
June 30, 2004****ASSETS**

Cash & Pooled Investments	
County Treasurer	\$1,117,761
Other County Officials	323,210
Receivables	
Property Tax	
Delinquent	2,764
Succeeding Year	14,319,763
Accounts	34,529
Accrued Interest	347
Due From Other Governments	15,613
<b>TOTAL ASSETS</b>	<b>15,813,987</b>

**LIABILITIES**

Accounts Payable	28,476
Salaries & Benefits Payable	7,533
Due To Other Governments	15,437,282
Trusts Payable	336,505
Compensated Absences	4,191
<b>TOTAL LIABILITIES</b>	<b>15,813,987</b>

<b>NET ASSETS</b>	<b>\$ 0</b>
-------------------	-------------

See Notes To Financial Statements

# FAYETTE COUNTY

## West Union, Iowa

### Notes to Financial Statements

---

#### Note 1: Summary of Significant Accounting Policies

Fayette County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. REPORTING ENTITY

For financial reporting purposes, Fayette County has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Fayette County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities that are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

A drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Fayette County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of this individual drainage district can be obtained from the Fayette County Auditor's office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Fayette County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Fayette County Assessor's Conference Board, Fayette County Emergency Management Commission, and Fayette County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.





## Notes to Financial Statements (Continued)

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

## Notes to Financial Statements (Continued)

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### B. BASIS OF PRESENTATION (CONTINUED)

##### Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the secondary road construction and maintenance.

Additionally the County reports the following major proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the county and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long term debt, claims, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long term debt and acquisitions under capital leases are reported as other financing sources.

## Notes to Financial Statements (Continued)

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Under the terms of grant agreements, the county funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply the cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the county applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements of Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.



## Notes to Financial Statements (Continued)

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

##### Property Tax Receivable (Continued) –

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>(In Years)</u>	Estimated Useful Lives
Buildings	40-65	
Infrastructure	15-65	
Equipment	2-20	

## Notes to Financial Statements (Continued)

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statement represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## Notes to Financial Statements (Continued)

---

### Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the County or its agent in the County's name.

### Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Trust and Agency: Auto License and Use Tax	\$10,381

These balances resulted from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

### Note 4 : Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer To	Transfer From	Amount
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	\$133,868  1,231,356
Total		<u>\$1,365,224</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



## Notes to Financial Statements (Continued)

### Note 5 : Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year (as restated, note 14)	Increase	Decrease	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$1,123,224	\$ 0	\$ 0	\$1,123,224
Capital assets being depreciated:				
Buildings	4,573,523	0	0	4,573,523
Machinery and equipment	7,836,027	244,746	(50,067)	8,030,706
Infrastructure	24,548,586	1,158,127	0	25,706,713
Total capital assets being depreciated	36,958,136	1,402,873	(50,067)	38,310,942
Less accumulated depreciation for:				
Buildings	384,186	85,497	0	496,683
Machinery and equipment	5,374,345	611,060	(44,650)	5,940,755
Infrastructure, road network	8,401,170	814,917	0	9,216,087
Total accumulated depreciation	14,159,701	1,511,474	(44,650)	15,626,525
Total capital assets being depreciated, net	22,798,435	(108,601)	(5,417)	22,684,417
Governmental activities capital assets, net	\$23,921,659	\$(108,601)	\$(5,417)	\$23,807,641

Depreciation was charged to functions of the primary government as follows:

Governmental activities:	
Public safety and legal services	\$130,936
Physical health and social services	2,114
Mental health	2,386
County environment and education	18,530
Roads and transportation	1,311,313
Administrative services	9,843
Non-Program	36,352
Total depreciation expense – governmental activities	<u>\$1,511,474</u>

## Notes to Financial Statements (Continued)

### Note 6 : Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$2,883
Special Revenue:		
Mental Health	Services	118,458
Total for governmental funds		<u>\$121,341</u>
Trust & Agency:		
Agricultural Extension	Collections	\$144,673
Assessor		238,233
Schools		10,125,666
Area Schools		430,047
Corporations		3,347,346
Auto License & Use Tax		356,934
All Others		794,383
Total for agency funds		<u>\$15,437,282</u>

### Note 7: Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2004, is as follows:

	Compensated Absences	Notes	Total
Balance – Beginning of Year	\$275,332	\$2,900,000	\$3,175,332
Additions	43,723	0	43,723
Reductions	0	235,000	235,000
Balance – End of Year	<u>\$319,055</u>	<u>\$2,665,000</u>	<u>\$2,984,055</u>
Due Within One Year	<u>\$319,055</u>	<u>\$245,000</u>	<u>\$564,055</u>

## Notes to Financial Statements (Continued)

### Note 7: Changes in Long-Term Debt (Continued)

#### Note Payable

During the year ended June 30, 2002, the County issued \$3,300,000 of General Obligation County Law Enforcement Center Notes, Series 2001. The notes were issued to pay the cost of constructing, furnishing and equipping a new Law Enforcement Center. Interest is due semi-annually on December 1 and June 1 at rates of 3.25% to 4.00% over the life of the notes. Principal payments are due annually, beginning on June 1, 2002 and ending on June 1, 2013.

A summary of the County's June 30, 2004 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	3.875%	\$245,000	\$105,199	\$350,199
2006	3.900	255,000	95,705	350,705
2007	3.900	265,000	85,760	350,760
2008	3.900	280,000	75,425	355,425
2009	3.900	295,000	64,505	359,505
2010	4.000	310,000	53,000	363,000
2011	4.000	325,000	40,600	365,600
2012	4.000	335,000	27,600	362,600
2013	4.000	355,000	14,200	369,200
		<u>\$2,665,000</u>	<u>\$561,994</u>	<u>\$3,226,944</u>

During the year ended June 30, 2004, the County retired \$235,000 of general obligation notes.

### Note 8: Closure and Postclosure Care Costs

Fayette County is a member of the Fayette County Solid Waste Management Commission. The agency is an inter-governmental agency, established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the Agency is to provide for the economic disposal and or recycling of all solid waste produced or generated within each member city, town, and the unincorporated portion of Fayette County, comprising the municipalities. In performing its duties, the Agency may contract with and expend funds from federal, state, and local agencies and private individuals and corporations.

State and Federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, state laws require the Agency to submit a closure and postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper closure and postclosure. As of June 30, 2004, the estimated liability associated with closure and postclosure care costs had been determined. Also based on EPA regulations, the financial assurance mechanism has been established.

### Note 9: Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

## **Notes to Financial Statements (Continued)**

---

### **Note 9: Pension and Retirement Benefits (Continued)**

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the county were 5.37% and 8.05%, respectively. For the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$275,402, \$265,944, and \$240,237, respectively, equal to the required contributions for each year.

### **Note 10: Risk Management**

Fayette County is a member of the Heartland Risk Pool as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Risk Pool (Pool) is a local government risk-sharing pool whose 10 members include various governmental entities throughout the State of Iowa. The Pool was formed July 1, 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The Pool provides coverage and protection in the following categories: workers' compensation, automobile liability, automobile physical damage, law enforcement, public official errors and omissions, and crime lines of business on an occurrence basis. General liability coverage is written on a claims-made basis. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The Pool also provides property, inland marine, boiler, public officials errors and omissions, law enforcement liability, and business income and extra expense coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contribution to the Pool for the year ended June 30, 2004 was \$317,605.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains automobile liability, general liability, public officials liability and law enforcement legal liability. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$6,000,000 per claim. Workers' compensation claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,000,000.

## **Notes to Financial Statements (Continued)**

---

### **Note 10: Risk Management (Continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past three fiscal years.

Members agree to continue membership in the pool for a period of not less than three full years. Subsequent to this initial term, the member may withdraw at the end of the third fiscal year of any three-year term, only after at least 60 days prior written notice. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

The County also carries commercial insurance purchased from another insurer for coverage associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for employees blanket bond claims in excess of \$20,000 per employee, with the exception of the Treasurer which is in excess of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 11: Employee Health Insurance Plan**

The Internal Service Employee Group Health Fund, was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administrated through a Service Agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitations of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2004 was \$764,613.

### **Note 12: Commitments and Contingencies**

The County participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time; however, County officials do not believe that such amounts would be significant.

## **Notes to Financial Statements (Continued)**

---

### **Note 13: Related Party Transactions**

The County had business transactions between the County and the County officials totaling \$68,953 during the year ended June 30, 2004.

### **Note 14: Restatement of Beginning Net Assets**

The net assets at the beginning of the year were restated due to a miscalculation of capital assets, infrastructure and accumulated depreciation for the year ended June 30, 2003. The restatement increases the beginning net assets by \$517,766, from \$23,346,296 to \$23,864,062.

### **Note 15: Deficit Fund Balance**

We noted a deficit fund balance in the Special Revenue Fund, Sheriff's Forfeiture Account of \$950 at June 30, 2004.

**FAYETTE COUNTY**  
**West Union, Iowa**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,  
DISBURSEMENTS AND CHANGES IN BALANCES  
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2003**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
<b>RECEIPTS</b>						
Property & Other County Tax	\$5,470,641	\$ 0	\$5,470,641	\$5,580,547	\$5,528,319	\$(57,678)
Interest & Penalty on Property Tax	67,361	0	67,361	50,505	56,705	10,656
Intergovernmental	5,473,279	0	5,473,279	5,203,061	5,594,503	(121,224)
Licenses & Permits	10,878	0	10,878	14,050	13,875	(2,997)
Charges for Services	831,238	0	831,238	641,490	769,335	61,903
Use of Money & Property	36,348	0	36,348	81,300	59,940	(23,592)
Miscellaneous	320,123	0	320,123	207,987	267,926	52,197
Total Receipts	12,209,868	0	12,209,868	11,778,940	12,290,603	(80,735)
<b>DISBURSEMENTS</b>						
Public Safety & Legal Services	2,271,761	0	2,271,761	2,277,895	2,280,186	8,425
Physical Health & Social Services	504,953	0	504,953	534,057	527,907	22,954
Mental Health	1,934,425	0	1,934,425	1,773,425	2,159,969	225,544
County Environment & Education	1,200,683	0	1,200,683	1,165,205	1,243,337	42,654
Roads & Transportation	3,891,010	0	3,891,010	3,796,650	4,001,365	110,355
Governmental Services to Residents	429,163	0	429,163	471,029	460,858	31,695
Administrative Services	913,201	0	913,201	1,177,098	971,809	58,608
Non-Program	5,886	0	5,886	7,500	6,400	514
Debt Service	349,305	0	349,305	349,305	349,305	0
Capital Projects	505,377	0	505,377	975,410	972,200	466,823
Total Disbursements	12,005,764	0	12,005,764	12,527,574	12,973,336	967,572
Excess (Deficiency) of Receipts Under Disbursements	204,104	0	204,104	(748,634)	(682,733)	886,837
Other Financing Sources, Net	1,540	0	1,540	0	0	1,540
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	205,644	0	205,644	(748,634)	(682,733)	888,377
Balance Beginning of Year	2,085,565	6,610	2,078,955	1,587,941	2,078,956	(1)
Balance End of Year	\$2,291,209	\$6,610	\$2,284,599	\$839,307	\$1,396,223	\$888,376

See Accompanying Independent Auditors' Report

**FAYETTE COUNTY**  
**West Union, Iowa**

**BUDGETARY COMPARISON SCHEDULE –**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,209,868	\$43,659	\$12,253,527
Expenditures	12,005,764	30,488	12,036,252
Net	204,104	13,171	217,275
Other Financing Sources – Net	1,540	0	1,540
Beginning Fund Balances	2,085,565	486,474	2,572,039
Decrease in Reserve For:			
Inventories	0	(45,485)	(45,485)
Ending Fund Balances	\$2,291,209	\$454,160	\$2,745,369

See Accompanying Independent Auditors' Report



**Fayette County  
West Union, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriation lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$385,262. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

**FAYETTE COUNTY**  
**West Union, Iowa**

COMBINING BALANCE SHEET  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
June 30, 2004

	Resource Enhancement & Protection	County Recorder's Record Management	County Recorder's Electronic Transaction Fee
<b>ASSETS</b>			
Cash & Pooled Investments	\$31,520	\$21,122	\$22,784
Receivables			
Accounts	0	422	0
Accrued Interest	13	4	28
<b>TOTAL ASSETS</b>	<b>\$31,533</b>	<b>\$21,548</b>	<b>\$22,812</b>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities			
Accounts Payable	\$ 70	\$ 0	\$ 0
Fund Equity			
Fund Balance			
Unreserved	31,463	21,548	22,812
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$31,533</b>	<b>\$21,548</b>	<b>\$22,812</b>

See Accompanying Independent Auditors' Report

**Schedule 1**

Sheriff's Forfeiture	Drainage Districts	Conservation Land Acquisition	Gilbertson Trust	Total
\$ 0	\$6,610	\$60,503	\$17,764	\$160,303
0	0	0	0	422
0	0	0	0	45
\$ 0	\$6,610	\$60,503	\$17,764	\$160,770
\$950	\$ 0	\$ 18	\$2,104	\$3,142
(950)	6,610	60,485	15,660	157,628
\$ 0	\$6,610	\$60,503	\$17,764	\$160,770

**FAYETTE COUNTY**  
**West Union, Iowa**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
Year Ended June 30, 2004

	Resource Enhancement & Protection	County's Recorder's Records Management	County Recorder's Electronic Transaction Fee
<b>REVENUES</b>			
Intergovernmental	\$12,241	\$ 0	\$ 0
Charges for Services	0	5,038	22,689
Use of Money & Property	174	83	123
Miscellaneous	0	0	0
Total Revenues	12,415	5,121	22,812
<b>EXPENDITURES</b>			
Operating:			
Public Safety and Legal Services	0	0	0
County Environment & Education	0	0	0
Governmental Services to Residents	0	0	0
Capital Projects	3,707	0	0
Total Expenditures	3,707	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,708	5,121	22,812
Fund Balances – Beginning of Year	22,755	16,427	0
Fund Balances – End of Year	\$31,463	\$21,548	\$22,812

See Accompanying Independent Auditors' Report

**Schedule 2**

Sheriff's Forfeiture	Drainage Districts	Conservation Land Acquisition Trust	Gilbertson Trust	Total
\$ 0	\$ 0	\$ 0	\$17,971	\$30,212
0	0	0	8,213	35,940
0	0	0	0	380
0	0	15,618	0	15,618
0	0	15,618	26,184	82,150
950	0	0	0	950
0	0	0	23,390	23,390
0	0	0	0	0
0	0	5,044	0	8,751
950	0	5,044	23,390	33,091
(950)	0	10,574	2,794	49,059
0	6,610	49,911	12,866	108,569
\$(950)	\$6,610	\$60,485	\$15,660	\$157,628

**FAYETTE COUNTY**  
**West Union, Iowa**

**COMBINING SCHEDULE OF FIDUCIARY**  
**ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash & Pooled Investments				
County Treasurer	\$ 0	\$2,761	\$60,746	\$203,712
Other County Officials	323,210	0	0	0
Receivables				
Property Tax				
Delinquent	0	30	42	2,114
Succeeding Year	0	141,790	197,394	9,913,215
Accounts	255	0	3,705	0
Accrued Interest	0	0	0	0
Due From Other Governments	0	92	127	6,625
<b>TOTAL ASSETS</b>	<b>\$323,465</b>	<b>\$144,673</b>	<b>\$262,014</b>	<b>\$10,125,666</b>
<b>LIABILITIES</b>				
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$13,624	\$ 0
Salaries & Benefits Payable	0	0	5,966	0
Due to Other Governments	370	144,673	238,233	10,125,666
Trusts Payable	323,095	0	0	0
Compensated Absences	0	0	4,191	0
<b>TOTAL LIABILITIES</b>	<b>\$323,465</b>	<b>\$144,673</b>	<b>\$262,014</b>	<b>\$10,125,666</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$8,510 0	\$66,084 0	\$4,596 0	\$9,770 0	\$356,934 0	\$404,648 0	\$1,117,761 323,210
96	417	36	0	0	29	2,764
421,178	3,276,986	237,259	0	0	131,941	14,319,763
0	0	0	0	0	30,569	34,529
0	0	0	0	0	347	347
263	3,859	81	0	0	4,566	15,613
\$430,047	\$3,347,346	\$241,972	\$9,770	\$356,934	\$572,100	\$15,813,987
\$ 0 0	\$ 0 0	\$ 0 0	\$ 0 0	\$ 0 0	\$14,852 1,567	\$28,476 7,533
430,047	3,347,346	241,972	9,770	356,934	542,271	15,437,282
0	0	0	0	0	13,410	336,505
0	0	0	0	0	0	4,191
\$430,047	\$3,347,346	\$241,972	\$9,770	\$356,934	\$572,100	\$15,813,987

**FAYETTE COUNTY**  
**West Union, Iowa**

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY  
ASSETS AND LIABILITIES – AGENCY FUNDS**

Year Ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS AND LIABILITIES</b>				
Balances – Beginning of Year	\$314,230	\$128,135	\$272,205	\$9,362,972
Additions				
Property & Other County Tax	0	157,730	221,885	11,054,116
E911 Surcharge	0	0	0	0
State Tax Credits	0	10,191	15,651	748,723
State Allocation	0	0	0	0
Drivers License Fees	0	0	0	0
Office Fees & Collections	344,087	0	0	0
Electronic Transaction Fee	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	231,152	0	0	0
Miscellaneous	0	0	9,456	0
Total Additions	575,239	167,921	246,992	11,802,839
Deductions				
Agency Remittances				
To County Funds	227,376	0	0	0
To Other Governments	116,712	151,383	302,183	11,040,145
Trusts Paid Out	221,916	0	0	0
Total Deductions	566,004	151,383	302,183	11,040,145
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	45,000	0
Balances – End of Year	\$323,465	\$144,673	\$262,014	\$10,125,666

See Accompanying Independent Auditors' Report



**Schedule 4**

Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$394,433	\$3,250,879	\$218,717	\$8,325	\$354,473	\$510,152	\$14,814,521
471,130	3,485,163	272,078	0	0	148,208	15,810,310
0	0	0	0	0	122,052	122,052
31,319	244,335	16,937	630	0	10,395	1,078,181
0	0	0	0	0	0	0
0	0	0	0	136,599	0	136,599
0	0	0	0	0	0	344,087
0	0	0	0	0	25,172	25,172
0	0	0	0	4,235,956	0	4,235,956
0	0	0	94,120	0	0	94,120
0	0	0	0	0	138,445	369,597
0	0	0	0	0	62,199	71,655
502,449	3,729,498	289,015	94,750	4,372,555	506,471	22,287,729
0	0	0	0	164,822	0	392,198
466,835	3,633,031	265,760	93,305	4,205,272	261,078	20,535,704
0	0	0	0	0	138,445	360,361
466,835	3,633,031	265,760	93,305	4,370,094	399,523	21,288,263
0	0	0	0	0	(45,000)	0
\$430,047	\$3,347,346	\$241,972	\$9,770	\$356,934	\$572,100	\$15,813,987

**FAYETTE COUNTY**  
**West Union, Iowa**

**SCHEDULE OF REVENUES BY SOURCE AND  
EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES**

For the Last Five Years

	Modified Accrual Basis				
	2004	2003	2002	2001	2000
<b>Revenues:</b>					
Property & Other County Tax	\$5,493,685	\$5,107,226	\$4,574,459	\$4,168,049	\$4,181,969
Interest & Penalty On Property Tax	67,632	53,612	53,322	50,574	54,065
Intergovernmental	5,442,011	5,664,850	5,084,488	5,658,027	5,939,022
Licenses & Permits	10,878	13,715	7,670	6,350	8,245
Charges For Service	884,792	530,343	391,664	362,300	304,087
Use of Money & Property	36,395	67,301	163,119	307,749	305,623
Miscellaneous	318,134	386,408	310,797	302,974	262,450
Total	<u>\$12,253,527</u>	<u>\$11,823,455</u>	<u>\$10,585,519</u>	<u>\$10,856,023</u>	<u>\$11,055,461</u>
<b>Expenditures:</b>					
Current:					
Public Safety & Legal Services	\$2,276,495	\$2,171,440	\$1,797,555	\$1,626,159	\$1,467,242
Physical Health & Social Services	490,076	490,642	483,477	453,240	404,503
Mental Health	1,998,575	1,736,300	1,719,738	1,604,760	1,455,915
County Environment & Education	1,208,766	1,354,060	1,578,895	1,021,274	1,266,108
Roads & Transportation	3,867,734	3,948,329	4,327,550	4,497,788	4,333,150
Governmental Services To Residents	433,422	419,276	365,967	349,098	364,764
Administration Services	874,104	1,108,297	890,472	872,784	914,783
Non-Program	5,881	8,324	38,426	7,416	13,425
Debt Service	349,305	348,024	271,533	0	0
Capital Projects	531,894	2,522,122	2,950,955	917,272	426,385
Total	<u>\$12,036,252</u>	<u>\$14,106,814</u>	<u>\$14,424,568</u>	<u>\$11,349,791</u>	<u>\$10,646,275</u>

See Accompanying Independent Auditors' Report

**Schedule 6****FAYETTE COUNTY  
West Union, Iowa****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2004**

Grantor/Program	CFDA Number	Agency or Pass Through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture			
Iowa Department of Human Services			
Human Services Administrative Reimbursements			
State Administrative Matching Grants			
For Food Stamps Program	10.561		<u>\$10,421</u>
U.S. Department of Justice			
Iowa Department of Justice			
Stop Violence Against Women	16.588		<u>8,130</u>
Federal Department of Transportation			
Iowa Department of Transportation			
Highway Planning & Construction	20.205	2-01-STPES-009 Rev-019	209,072
Highway Planning & Construction	20.205	2-01-HBRRS-019	<u>89,376</u>
National Highway Traffic Safety Administration			<u>298,448</u>
Iowa Department of Public Safety			
Seatbelt Grant	20.604		<u>3,880</u>
Federal Emergency Management Agency			
Iowa Department of Public Defense			
Emergency Management Division			
Hazard Mitigation Grant Program	97.039		2,030
Emergency Management Performance Grant	97.042		26,413
Public Assistance	97.036		<u>2,205</u>
			<u>30,648</u>
U.S. Department of Health and Human Services			
Iowa Department of Human Services			
Human Services Administrative Reimbursements			
Temporary Assistance for Needy Families	93.558		<u>13,527</u>
Refugee and Entrant Assistance – State			
Administered Programs	93.566		<u>47</u>
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		<u>2,482</u>
Foster Care – Title IV – E	93.658		<u>6,180</u>
Adoption Assistance	93.659		<u>1,647</u>
Medical Assistance Program	93.778		<u>13,610</u>
Social Services Block Grant	93.667		8,895
Social Service Block Grant	93.667		<u>114,472</u>
			<u>123,367</u>
			<u>\$512,387</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Fayette County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation, of the basic financial statements.

See Accompanying Independent Auditors' Report

## **Independent Auditors' Report on Compliance and On Internal Control Over Financial Reporting**

---

To the Officials of Fayette County  
West Union, Iowa

We have audited the financial statements of Fayette County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 10, 2005. We conducted our audit in accordance with U.S generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Fayette County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items IV-B-04, IV-E-04, and IV-J-04.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fayette County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Fayette County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fayette County and other parties to whom Fayette County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fayette County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

February 10, 2005

## **Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance**

---

To the Officials of Fayette County  
West Union, Iowa

### Compliance

We have audited the compliance of Fayette County, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Fayette County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fayette County's management. Our responsibility is to express an opinion on Fayette County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fayette County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fayette County's compliance with those requirements.

In our opinion, Fayette County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. The results of our auditing procedures disclosed no instances of non-compliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

### Internal Control Over Compliance

The management of Fayette County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fayette County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the material control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fayette County and other parties to whom Fayette County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

February 10, 2005



**Fayette County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Part I: Summary of the Independent Auditors' Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (e) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) Major program are as follows:
  - CFDA Number 20.205 - Highway Planning and Construction. – STPES -009 Revised
  - CFDA Number 20.205 – Highway Planning and Construction – 2-01-HBRRS-019
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
- (i) Fayette County did not qualify as a low-risk auditee.

**Fayette County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Part II: Findings Related to the General Purpose Financial Statements**

REPORTABLE CONDITIONS:

II-A-04 SEGREGATION OF DUTIES - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

*Recommendation* – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances

*Response*– We have reviewed the procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the one individual will be separated and spread among the County Official, Deputy, and Clerk.

*Conclusion* – Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

No matters were reported.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-04 OFFICIAL DEPOSITORIES – A resolution naming official depositories had been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.

IV-B-04 CERTIFIED BUDGET – Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted. Public hearing did not precede appropriation decreases for appropriation awards.

*Recommendation* – Appropriation decreases should be preceded by public hearing when required.

*Response* – Notice of public hearing will be published when required.

*Conclusion* – Response accepted.

IV-C-04 QUESTIONABLE EXPENDITURES – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

IV-D-04 TRAVEL EXPENSE – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-04 BUSINESS TRANSACTIONS – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Description	Amount
Bunn's Service Nephew of Supervisor, John Bunn	Portable Restrooms & Drainage Tile Clearing	\$175.00
Baumler Implement Company, Inc. Partial Owner – Don Baumler, husband of Madonna Baumler; Treasurer's Office	Equipment & Repairs	\$68,774.00
Fauser Energy Resources Conservation Executive Director, Rob Marlatt's father-in-law	Diesel, tires, car parts	\$4.00

Of the transactions with Don Baumler, \$67,274 may not be authorized in accordance with Chapter 331.342 of the Code of Iowa and Attorney General's Opinions dated April 17, 1979.

*Recommendation* – The County should refrain from business transactions with relatives of employees when possible.

*Response* – The County will refrain from business transactions with relatives of employees and officials when possible.

*Conclusion* – Response accepted.

IV-F-04 BOND COVERAGE – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-G-04 BOARD MINUTES – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-04 DEPOSITS AND INVESTMENTS – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-04 RESOURCE ENHANCEMENT AND PROTECTION CERTIFICATION – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-04 ECONOMIC DEVELOPMENT – During the year ended June 30, 2004, the County paid \$94,170 for economic development which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

IV-K-04 COUNTY EXTENSION OFFICE – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County Operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

IV-L-04 SEPARATELY MAINTAINED ACCOUNTS – The Sheriff's Office maintains the DARE account and a K-9 account within the office. The receipts and disbursements of the accounts were not reflected in the County's accounting system and were not included in the County's annual budget or financial report. In addition, phone rebates are being deposited into the commissary account.

*Recommendation* – In accordance with the Code of Iowa, Special Revenue funds should be established for each these accounts, all collections should be remitted to the County Treasurer and all expenditures should be approved by the Board of Supervisors and reflected in the County's accounting system, annual budget and financial report.

*Response* – These funds will be established immediately.

*Conclusion* – Response accepted.

IV-M-04 DISBURSEMENTS – It was noted the Treasurer did not sign the list of warrants prior to the issuance of the warrants.

*Recommendation* – Chapter 331.506 states that the County Auditor shall not issue a warrant to a drawee until the County Treasurer approved and signs the detailed list of warrants to be issued.

*Response* – We will comply immediately.

*Conclusion* – Response accepted.

IV-N-04 CREDIT CARDS – We noted card companies were being paid from statements with no supporting documentation such as individual invoices.

*Recommendation* – A written credit card policy should be established including who may use the card, the proper documentation to be included for payment and allowable expenditures.

*Response* – We have approved a written policy regarding credit cards.

*Conclusion* – Response accepted.

IV-O-04    DEFICIT BALANCE – We noted a deficit fund balance in the Sheriff’s Forfeiture Fund of \$950 at June 30, 2004.

*Recommendation* – The Board of Supervisors should determine the manner in which the deficit will be eliminated.

*Response* – The Board of Supervisors will cover the deficit in fiscal 2005 with funds anticipated, however not received in fiscal 2004.

*Conclusion* – Response accepted.

## **NEWS RELEASE**

Gardiner Thomsen today released an audit report on Fayette County, Iowa.

The County had local tax revenue of \$21,284,887 for the year ended June 30, 2004, which included \$1,430,707 in tax credits from the state. The County forwarded \$15,962,801 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,322,086 of the local tax revenue to finance County operations, a 4 percent increase from the prior year. Other revenues include charges for service of \$1,177,964, operating grants, contributions and restricted interest of \$4,181,819, unrestricted investment earnings of \$31,883 and other general revenues of \$1,749,625.

Expenses for County operations total \$13,169,324 a 7 percent decrease from the prior year. Expenses included \$5,261,215 for Road and Transportation, \$2,417,588 for Public Safety and Legal Services and \$2,004,490 for Mental Health Services.

The significant increase in revenues is due primarily to Property Tax increase.

The significant decrease in expenses is due to the completion of the Law Enforcement Center.

# # #

**Fayette County**  
**Corrective Action Plan for Federal Audit Findings**  
**Year Ended June 30, 2004**

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title Phone Number	Anticipated Date of Completion
None Reported				

**Fayette County**  
**Summary of Schedule of Prior Federal Audit Findings**  
**Year Ended June 30, 2004**

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
None Reported			